**SCHOOL CATERING CONTRACT - 1ST AUGUST 2011 TO 31ST JULY 2016 CONTRACT CONSIDERATIONS FROM 1ST AUGUST 2016**

**Answering Schools Questions – January 2016**

Lots of schools have been contacting us to ask questions about the forthcoming extension to the contract. As schools are engaged in this terms Governor meetings and we would like schools’ responses by 18th March, please see below answers to the varied and detailed queries. We have been seeking commercial advice on some of the questions posed by schools so hopefully this document helps clarify a number of contractual points and makes it clearer for schools to make an informed decision.

Various documents have been sent out already via Schoolpoint 365 and some by school post. You will find them all on our School Food page on Schoolpoint 365.

**1 Length of the Extension – 1st August 2016 to 31st July 2020.**

The contract is continuing for a further 4 years. This is a result of an improved financial arrangement agreed in 2014 between the council, acting on school’s behalf, and Taylor Shaw. It was obvious that meal numbers were going to rise because of free infant meals, starting in September 2014, and Taylor Shaw would benefit from higher volumes. We therefore agreed to pay a lower contract charge and allow Taylor Shaw to carry on for the full extension term. It also gave us the opportunity of introducing the Living Wage, which would give an immediate benefit to catering staff who were directly affected by increasing workloads.

The agreement gave schools a saving per meal from September 2014 and this will continue into the extension. There is no renegotiation of the contract charge going into the extension period as there would have been if we had gone out to tender. Contractually, charges can only be increased as per the Consumer Price Index every August. Contract costs are now forecasted until 2020 based on the settlement agreed in 2014.

**2 Remaining with the Contract from 31st July 2016**

The decision was made to continue for a further four years as the contractor is performing well against a range of factors, which includes annual external benchmarking. There are sound arguments for acting on those results. There is ongoing scrutiny of costs, key performance indicators are met and the test for best value has been assessed. The contract continues with the same terms and conditions, the same obligations and requirements, and it was judged that the council and schools would have received no added benefit from going out to the open market again. It would have been a costly procurement exercise, which schools would have had to pay for and which could have resulted in a higher contract charge.

So schools will continue into the extension period unless they wish to opt out from the 31st July 2016.

**3 Opting Out from 1st August 2016**

As explained above, the financial framework of this group contract is in place until 2020. The extension is not offered as a series of 12 month periods so that schools can opt in and out. To do so would mean that the stability of the service for the schools that remain within the ‘catering club’ could be compromised. The service would have to change from one which operates as a ‘catering club’ to one where schools become stand- alone units. For example, if a school only wanted to remain in for 12 months, the contract charges would have to be renegotiated for that school as the rates have been agreed on the basis of 4 years for the group – in effect, a compensation settlement would be charged to reflect the school’s individual contribution to the contract running costs and the benefit of receiving a meal at a reduced price.

The group contract is not arranged as a series of Service Level Agreements (SLA’s). Schools elect to join the contract on the understanding that they are joining to be part of a ‘family of schools’ arrangement where there is a contribution to costs. It ensures that schools get the service they need and the required flexibility is built in as standard.

Schools therefore have a choice to make – remain with the contract arrangements for 4 years where costs have been factored into our planning and risks managed or opt out to manage the service themselves, taking the risk away from those schools that want to remain within the ‘family’ arrangement.

**4 The Challenge of Alternative Contract Caterers**

If approached by an alternative contract caterer, interested in working with Sheffield schools and offering reductions in charges and in some cases claiming ‘enhanced’ services, please contact us for advice. As stated above, an open tender is not going to be done where these offers can be properly and transparently tested, so any offers should be scrutinised.

So how do schools assess any alternaive offer against the current service and will it work for pupils and parents too? The only way this can be done outside of a fair and open tender where everything can be explored and direct comparisons made is for schools to decide:

* What are your school food standards and how will you ensure these are met?
* What kind of service do you want for the pupils?
* How much time can you put into checking the companies claims ie carrying out due diligence checks?

In ‘bidding’ for schools’ business outside of an open tender process, an alternative company does not have a detailed specification to work to or the full facts about fixed costs such as staffing and therefore they will be making some assumptions. It is up to you as a school to understand those assumptions, ask questions and plan accordingly.

**5 Taking on Liabilities and Risks**

If you are choosing to leave the contract arrangements, you are strongly advised to pay attention to these areas as the risk passes from the council and Taylor Shaw to the school and/or your chosen provider:

 **Staffing** – This is the most important part of the catering function and all existing terms and conditions of the transferring staff must be met. Staffing costs are only available in full at handover once the TUPE[[1]](#footnote-1) process has begun. Staff absence, future wage rises, DBS costs and the annual increases in the Living Wage must be factored in.

 **Pensions** - As the contract is continuing, the current arrangements through the Local Government Pension Scheme (LGPS) will also continue and there is no planned actuarial assessment. Schools leaving the contract or their providers will be expected to pick up ongoing pension liabilities for staff who are in a pension, as part of the TUPE process or provide a comparable scheme. It will be expected that schools or their chosen provider will match the current pension arrangements including on-costs and you should take specialist pension advice to ensure you are fully aware of any contributions or liabilities that apply.

 **Food Safety** – The supply of food to the pupils must be checked as part of a rigorous process that determines quality and allows for periodic monitoring. Due diligence is critical here to ensure that all legal standards are met once the school leaves the current contract. A full list of legislation covering the sale of food - as the provision of school meals is classed as a food business - is highlighted in Appendix A. If you are choosing to work with another provider you need to check how this legislation will be met at all times. Children who require a special diet should be catered for and this will be the responsibility of the school. You will need to ensure that ongoing training is in place to maintain food hygiene accreditations, and you will be responsible for ensuring that allergen information for pupils and parents are correctly managed. It is advisable to have as much traceability of food items, particularly meat, as possible, either through your own direct food contracts or through your chosen contract caterer.

 **Level of Income and Take Up** – There is a balance to be struck between take up of meals and the price to parents/students. If meal numbers rise and income goes up, fixed costs can be more easily covered. If meal numbers fall due to prices being too high, the school will need to manage this scenario. The group contract approach is calculated on an estimated charge for the service based on actuals from the year before. Schools are not routinely charged throughout the year for fluctuations in meal numbers, but schools managing their own service need to have a plan that keeps meal numbers at a healthy level. Some primary schools are interested in putting up the price to parents so that this eliminates the subsidy element (ie the difference between the contract charge and what parents pay). Whilst this may seem attractive, parents who pay for meals may well resist and meal numbers go down. Schools need to be aware of the direct link between price and take up.

 **School Meals Debt** (Primary) – Income collected from parents is monitored throughout the year against meals provided. Some schools may be on target, some not. Parents are asked to pay for meals in a variety of ways and it changes from school to school – some weekly, some daily, some half termly. We expect schools to manage their income levels with parents and ensure as far as possible that income is received to pay for the meals. The council and Taylor Shaw take the risk on meals versus income and we do not charge schools again during the year, but have to manage within the agreed forecasted level of meals and income for the group of schools. For those leaving the contract, the risk of fluctuating meal numbers and school meals debt passes wholly to schools as there is no funding within the School Food Service to offer such support at year end.

**Equipment Repair and Replacement** – Schools must have a robust servicing, maintenance and repair plan if managing the service in house or pass this in to your contract caterer to manage. All risk moves from the council and Taylor Shaw to the school. You will need to have a plan for breakdowns so that service can continue, as well as training, induction, risk assessments and cleaning schedules for each appliance. A safe system of works will need to be established to satisfy health and safety which must include such areas as slips, trips and falls, dealing with heated appliances, safe storage and usage of chemicals. There is no spare stock held by the School Food Service to support schools who manage their own service as we buy equipment as demand requires for schools in the contract and keep emergency replacements to a minimum, thereby keeping costs down. We no longer offer a Kitchen Service and Maintenance package so schools leaving the contract must ensure that there are skilled, accredited and competent industry specialists managing this area.

 **Insurance** – As with all aspects of service in schools, there needs to be adequate insurance cover once the risk of the service moves from the council and Taylor Shaw to the school or its chosen provider.

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| **APPENDIX A – LEGAL RESPONSIBILITIES** |

Below are the main areas of legislation that are applied to food businesses where food is sold to the public.

Each school where school food is served has to be registered with Health Protection Service (Environmental Health).

* Healthy and Safety at work Act 1974
* Electricity at Work Regulations 1989
* Gas Appliance (Safety Regulations) 1995
* The Food Labelling Regulations 1996 (2014 updated for Allergen labelling)
* Food Safety (General Food) and Hygiene Regulations 1995, updated 2013
* Gas Safety (Installation and use) Regulations 1998
* The Provision and Use of Work Equipment Regulations 1998
* The Control of Substances Hazardous to Health Regulations 2002
* HVCA Specification for Ventilation Systems (DW172) including Maintenance (TR19)
* The Requirements for School Food Regulations 2014

All food outlets should have a written food management system and the Food Standards Agency recommends ‘Safer Food Better Business’ to ensure a system is in place that evidences compliance with food law.

1. Transfer of Undertakings and Protection of Employment Regulations [↑](#footnote-ref-1)